



KERR ADDISON MINES

L I M I T E D

annual
report

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F O R T H E P E R I O D E N D E D D E C E M B E R 3 1

APR 19 1964

KERR ADDISON MINES LIMITED

DIRECTORS

JOHN R. BRADFIELD, LL.D.	-	-	-	-	-	-	-	-	-	-	-	Toronto, Ont.
F. M. CONNELL, O.B.E., LL.D.	-	-	-	-	-	-	-	-	-	-	-	Toronto, Ont.
M. S. FOTHERINGHAM	-	-	-	-	-	-	-	-	-	-	-	Steep Rock Lake, Ont.
K. C. GRAY	-	-	-	-	-	-	-	-	-	-	-	Toronto, Ont.
H. E. LANGFORD	-	-	-	-	-	-	-	-	-	-	-	Toronto, Ont.
HAROLD H. LEATHER, M.B.E.	-	-	-	-	-	-	-	-	-	-	-	Hamilton, Ont.
R. V. PORRITT	-	-	-	-	-	-	-	-	-	-	-	Toronto, Ont.
W. H. REA	-	-	-	-	-	-	-	-	-	-	-	Toronto, Ont.
W. S. ROW	-	-	-	-	-	-	-	-	-	-	-	Toronto, Ont.
W. DENT SMITH	-	-	-	-	-	-	-	-	-	-	-	Toronto, Ont.

OFFICERS

W. S. ROW	-	-	-	-	-	-	-	-	-	-	-	<i>President</i>
K. C. GRAY	-	-	-	-	-	-	-	-	-	-	-	<i>Vice-President</i>
R. D. STEWART	-	-	-	-	-	-	-	-	-	-	-	<i>Secretary</i>
B. C. BONE	-	-	-	-	-	-	-	-	-	-	-	<i>Treasurer</i>
J. B. SAGE	-	-	-	-	-	-	-	-	-	-	-	<i>Assistant Secretary</i>
S. C. YULE, Virginiatown, Ont.	-	-	-	-	-	-	-	-	-	-	-	<i>Manager</i>

HEAD OFFICE: Suite 1600 - 44 King St. West, Toronto 1, Ont.

MINE OFFICE: Virginiatown, Ont.

EXPLORATION OFFICE: Suite 1600 - 44 King St. West, Toronto 1, Ont.

CONSULTING GEOLOGISTS

W. F. James, B. S. W. Buffam & M. A. Cooper

TRANSFER AGENTS AND REGISTRARS

EASTERN & CHARTERED TRUST COMPANY	-	-	1901 Yonge Street, Toronto 7, Ont.
REGISTRAR & TRANSFER COMPANY	-	-	50 Church Street, New York 7, N.Y.
REGISTRAR & TRANSFER COMPANY	-	-	15 Exchange Place, Jersey City 2, N.J.

AUDITORS

CLARKSON, GORDON & Co. - - - 15 Wellington Street West, Toronto, Ont.

ANNUAL MEETING

April 20th, 1964, 12:00 Noon (Toronto Time) Fountain Court
King Edward Sheraton Hotel, Toronto, Ont.

Directors' Report

TO THE SHAREHOLDERS:

Your Directors submit herewith the Annual Report of your Company at December 31st, 1963.

Your Company, Kerr Addison Mines Limited, which came into being on November 18th, 1963, is the continuing company which resulted from the merger of Kerr-Addison Gold Mines Limited, Anglo-Huronian, Limited and Bouzan Mines Limited, and the subsequent purchase of the assets and undertakings of Prospectors Airways Company, Limited. The combining of the four companies has resulted in one which has the largest gold mine in Canada, substantial interests in other revenue-producing mining companies, experienced management, a large and experienced exploration staff and liquid resources available for exploration and new mine development, and for investment opportunities.

Financial

The Company is capitalized at 10,000,000 shares of no par value of which 7,013,902 shares are issued and outstanding.

During the first three-quarters of the year three dividends of 12 cents each were paid by Kerr-Addison Gold Mines Limited prior to the merger, and in the last quarter one dividend of 10 cents per share was paid on the shares of the new Company. At the year-end the net value of liquid assets, including shares and bonds totalling \$37,392,200 at quoted market prices and supplies and prepaid items at cost, amounted to \$40,816,629, equivalent to \$5.82 per share outstanding.

Due to the complexities of the changes which took place during the year, it is impracticable to compare financial statistics with previous years. However, on the following pages you will find statements of operations and earned surplus of the predecessor companies, and of this Company from the date of incorporation on November 18th, 1963. For a full understanding of the figures the explanatory notes should be read in conjunction with the statements.

The Kerr Addison Mine

The Manager's Report contained herein gives details of production and operations.

Output of gold was 324,986 ounces, a decrease of 93,164 ounces from the previous year. The lower production reflects the lower tonnage milled. The grade of ore milled was slightly higher than in 1962. Bullion sales were all made to the Royal Canadian Mint and realized \$37.85 per ounce of gold, as compared with \$37.65 in 1962. Costs increased by 70 cents per ton due to the lower tonnage treated, wage increases and higher costs of operating supplies.

The programme of mine exploration from the 4800-foot and 5600-foot levels which has been underway for the major part of four years has now been completed and has failed to disclose any ore at or below these horizons.

The ore reserve at the year-end was 6,044,877 tons grading 0.4205 ounces of gold per ton as compared to 6,817,143 tons grading 0.4114 ounces a year earlier. This reserve will probably be mined out in nine or ten years at a declining rate. The grade of ore milled will improve as a greater proportion is mined from the deeper levels.

The cost of producing gold increased in 1963 to a point where the mine qualified for cost aid under the provisions of the Emergency Gold Mining Assistance Act. The Government of Canada is to be commended on its decision to extend the provisions of the Act for a further period of four years beyond the end of 1963.

At the end of May last the Manager, Mr. R. J. Beggs, for health reasons, elected to take early retirement and was succeeded by Mr. S. C. Yule, who had been General Superintendent of your Company since 1957.

The Directors acknowledge with appreciation the excellent work of the Manager and his entire staff throughout the year, particularly with respect to their work in accident prevention.

Joutel Copper Mines Limited

Kerr Addison owns approximately two-thirds of the issued shares of this company. Its property consists of a concession and nine claims covering about 1,285 acres in Joutel Township in the Province of Quebec, about sixty miles almost due north of the town of Amos and about twelve miles west of Milepost 72 of the Amos-Matagami highway.

A deposit of copper ore was initially indicated as the result of geophysical surveys and subsequent diamond drilling. During 1962 and 1963 a three-compartment shaft was sunk to a depth of 1,075 feet, 2,050 feet of drifts and crosscuts were driven on two levels at the 575 and 1025-foot horizons and 27,310 feet of diamond drilling was done from them. As a result there is now indicated 1,408,000 tons of ore grading about 2.5 per cent copper in the main zone and approximately 216,000 tons of ore grading about 10.9 per cent zinc and 0.2 per cent copper in a second zone. Additional underground work is planned for 1964. An all-weather road is under consideration by the Province.

The company is capitalized at 5,000,000 shares of \$1.00 par value. Of these 3,235,405 shares are outstanding. The cost of the work completed so far has exceeded the funds which had been raised and at the year-end \$65,000 was owing to your Company. Further financing is being arranged.

The Bouzan Mine

This property consists of 272 acres in McKenzie Township in the Chibougamau area of the Province of Quebec. Of this The Patino Mining Corporation in 1962 purchased a block of 73.5 acres in area to a depth of 1,770 feet for a price of \$1,800,000 payable without interest in six equal annual instalments commencing December 31st, 1963. Ownership of the remainder of the property is retained by your Company. The property purchased by Patino contained all ore indicated at the time of purchase, estimated to be 1,175,000 tons averaging 2.92 per cent copper.

Depth exploration cannot be carried out until Patino has opened levels below 1,770 feet and is in a position to test the deeper horizons. The possibilities of finding ore at depth are unknown.

Vangorda Mines Limited

Kerr Addison owns approximately two-thirds of the issued shares of this company. Its property consists of 51 claims covering about 2,273 acres and is located in the Yukon Territory some 126 miles northeast of Whitehorse.

Seventy-three diamond drill holes have indicated a shallow, flat lying open-pit type of mineral deposit some 490 feet in width, 3,000 feet in length having an indicated 9,400,000 tons of sulphides averaging 3.18 per cent lead, 4.96 per cent zinc, 0.27 per cent copper, 1.76 ounces of silver and 0.02 ounces of gold per ton. Maximum depth of ore is 300 feet. This ore was developed in 1954-1955 by Prospectors Airways Company, Limited but due to the lack of highway and hydro power facilities, and the low metal prices of recent years, the deposit has not been economic. A large foreign company has expressed interest in acquiring lead and zinc concentrates and a restudy of the economics is being made. Research work on ore concentration is also being done in two laboratories.

Exploration

Progress for your Company undoubtedly depends upon the finding or acquisition of new mines. Accordingly, a vigorous programme of exploration on an expanding scale is and will be pursued all across Canada. The major projects now planned are in British Columbia, the Yukon, Manitoba, Ontario and Quebec. Diamond drilling programmes are planned for four of the five areas.

At the year-end 1,029 claims were held, either having been staked or acquired by option or purchase, in addition to those included in Kerr Addison, Bouzan, Joutel Copper and Vangorda properties.

On behalf of the Board,

W. S. ROW,
President.

Toronto, Ontario,
March 3rd, 1964.

Manager's Report

The President and Directors,
Kerr Addison Mines Limited,
Toronto, Ontario.

Dear Sirs:

This report on the operation of the mine for the year ended December 31, 1963 is submitted herewith.

Operating Results

In the summary which follows, a comparison is made between operating results in 1963 and 1962. During 1963, 956,217 tons were milled for an average of 2,620 tons per day. This represents a decline in tonnage milled of 23.1% from 1962. The average grade of ore milled was up slightly and the realized value per ounce of gold recovered was up \$0.20 from 1962. With the decline in tonnage, however, the total value of production dropped from \$15.7 million in 1962 to \$12.3 million in 1963.

During 1963 the overall recovery of gold in the milling operation was 97.7%. The cyanidation tailings retreatment plant operated for the entire year, increasing the recovery by 5.6% and showing a profit of \$567,109.81 or 59¢ per ton milled.

Summary of Operating Results

Production	1963	1962
Tons Milled	956,217	1,242,933
Average Tons Milled Per Day	2,619.8	3,405.3
Total Gold Recovered	324,986.31 oz.	418,150.29 oz.
Total Silver Recovered	19,872.40 oz.	25,394.05 oz.
Average Mill-Head Value Per Ton (Bullion Plus Tails)	.3477 oz.	.3439 oz.
(Au @ \$35.00)	\$12.169	\$12.038
Percentage Recovery	97.7	97.8
Total Realized Value of Bullion (Canadian Funds)	\$12,299,153.50	\$15,742,590.26
Total Realized Value of Bullion Per Ounce of Gold	\$37.85	\$37.65
Total Realized Value of Bullion Per Ton Milled	\$12.862	\$12.666

Cost of Production	1963		1962	
	Total	Per Ton	Total	Per Ton
Development	\$ 199,869.05	\$.209	\$ 435,463.64	\$.351
Stope Development	112,615.29	.118	236,584.64	.191
Mining	3,046,413.20	3.186	3,414,604.14	2.747
Haulage	350,333.16	.366	482,666.76	.388
Hoisting	359,345.57	.376	360,079.03	.290
General Mine Charges	1,850,424.82	1.935	2,144,483.59	1.725
Crushing and Conveying	167,168.89	.175	219,032.15	.176
Milling	1,021,118.08	1.068	1,275,348.42	1.026
General Expense	674,329.93	.705	689,857.12	.555
Bullion Marketing	90,809.99	.095	110,587.57	.089
Total Operating Cost at Mine	<u>\$ 7,872,427.98</u>	<u>\$ 8.233</u>	<u>\$ 9,368,707.06</u>	<u>\$ 7.538</u>

Operating Profit

Net Operating Profit at Mine (before provision for Depreciation, Taxes and Head Office Expense)	<u>\$ 4,426,725.52</u>	<u>\$ 4.629</u>	<u>\$ 6,373,883.20</u>	<u>\$ 5.128</u>
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Total plant cost of production was down nearly 11½ million dollars due to the decrease in tonnage milled. The cost per ton milled increased by 70¢, due principally to:

- (a) A general wage increase of 4.375% which became effective March 1, 1963.
- (b) An increase in the tonnage broken by square-set mining methods from 33.4% in 1962 to 56.1% in 1963.
- (c) During the first 6 months there was an upward trend in the cost of some supplies; namely — blasting supplies, wire screens and some chemicals. The Federal Sales Tax in June imposed an added 4% on many supplies with the exception of those designated as consumed or expended.

The mine development portion of costs is down due to a reduction of 65% in the footage of drifting, cross-cutting and raising, and a 50% reduction in the footage of diamond drilling.

Mine Development and Mining

On the 5600-foot level the 5605 East Drift was extended to Section 80 East to permit additional deep drilling. No drifting was done on the 4800-foot level.

On the 4400-foot level stope development continued and stoping is now underway in the north-west zone of No. 21 Orebody. Stopping in this zone has also been started on the 4200-foot

Manager's Report continued

level. On the 3850-foot level, stopes are being developed in the north-east and in the south zones of No. 21 Orebody.

In order to preserve the established mining sequence, stoping operations in the No. 21 Orebody on the 3550-foot level are being curtailed pending the advancement of stoping on the 3250-foot level. Rehabilitation work between the 3250-foot and 3100-foot levels following a series of ground failures in 1962 is proceeding, but has been slowed by additional movements in August of 1963. The mining sequence which was decided upon in 1962 is being followed closely.

Pillar recovery in No. 6, 14, 16 and 21 Orebodies is continuing and accounted for 15% of the total tons broken in 1963.

SUMMARY OF DEVELOPMENT AND MINING FOR 1963

Level	ADVANCE IN FEET							CUBIC FEET		FEET	TONS OF ORE BROKEN IN				
	Shafts	Drifts	X-Cuts	Raises	Box-holes	Sub Drifts	Total Lin. Feet	Slashing	Cutting	Diamond Drilling	Dev.	St. Dev.	Stopes	Pillars	Total
1000	—	—	—	50	—	—	50	—	—	75	175	—	1,912	—	2,087
1150	—	—	—	—	—	—	—	—	—	—	—	—	7,739	—	7,739
1300	—	—	80	—	—	—	80	1,577	—	—	213	—	1,763	—	1,976
1450	—	—	—	161	—	—	161	522	—	—	962	—	25,132	13,954	40,048
1600	—	—	21	86	38	—	145	756	—	—	680	128	413	7,234	8,455
1750	—	—	—	604	—	—	604	2,157	—	25	3,488	—	103,684	16,034	123,206
1900	—	—	51	133	—	—	184	774	—	—	490	—	2,353	24,372	27,215
2050	—	—	—	140	—	—	140	—	—	23	567	—	35,789	7,618	43,974
2200	—	—	—	—	—	—	—	522	—	—	47	—	49,531	9,137	58,715
2350	—	—	33	178	—	—	211	256	—	200	1,065	—	55,126	7,264	63,455
2500	—	—	—	66	—	—	66	—	—	1,048	295	—	46,982	—	47,277
2650	—	—	—	—	—	—	—	—	—	25	—	—	56,056	18,850	74,906
2800	—	—	37	—	—	—	37	4,257	—	—	—	—	95,483	11,396	106,879
2950	—	—	179	—	—	—	179	811	—	647	343	—	9,216	—	9,559
3100	—	—	—	125	—	—	125	—	—	1,588	393	—	25,206	—	25,599
3250	—	43	—	832	42	—	917	808	—	287	4,795	109	37,683	9,407	51,994
3400	—	—	—	28	—	—	28	—	—	—	125	—	39,160	—	39,285
3550	—	—	6	43	—	—	49	—	—	110	273	—	29,876	4,543	34,692
3700	—	—	—	141	—	—	141	—	—	46	587	—	21,230	7,057	28,874
3850	—	550	137	—	—	—	687	2,334	—	883	5,131	—	20,572	—	25,703
4000	—	—	—	97	—	—	97	580	—	288	425	—	18,661	—	19,086
4200	—	94	—	271	—	—	365	1,204	—	45	1,669	—	15,794	—	17,463
4400	—	—	—	145	—	81	226	—	—	37	554	48	47,877	—	48,479
4800	—	6	—	42	—	—	48	—	—	366	189	—	—	—	189
5600	—	295	—	40	—	—	335	536	—	11,415	124	—	—	—	124
TOTALS 1963	—	988	544	3,182	80	81	4,875	17,094	—	17,108	22,590	285	747,238	136,866	906,979
TOTALS 1962	—	6,211	2,014	4,764	610	162	13,761	47,178	—	33,752	27,535	1,869	1,000,019	147,750	1,177,173

The distribution of ore production from the mine is shown in the following table:

<i>Source of Ore</i>	1963		1962	
	<i>Tons</i>	<i>%</i>	<i>Tons</i>	<i>%</i>
Surface to 1900-foot level	230,678	24.3	275,496	22.2
1900-foot to 2500-foot level	223,078	23.4	287,231	23.1
2500-foot to 3100-foot level	224,678	23.6	260,856	21.0
3100-foot to 3700-foot level	161,239	16.9	250,298	20.2
Below 3700-foot level	112,468	11.8	168,229	13.5
Total Ore Produced	<u>952,141</u>	<u>100.0</u>	<u>1,242,110</u>	<u>100.0</u>

A summary of the tonnages of ore broken by the different mining methods follows:

Mining Method	1963		1962	
	<i>Tons Broken</i>	<i>%</i>	<i>Tons Broken</i>	<i>%</i>
Cut-and-Fill Stoping	353,669	39.0	711,487	60.4
Cut-and-Fill Pillar Recovery	5,981	0.6	27,784	2.4
Total Cut-and-Fill Mining	359,650	39.6	739,271	62.8
Square-Set Stoping	377,660	41.7	272,691	23.2
Square-Set Pillar Recovery	130,885	14.4	119,966	10.2
Total Square-Set Mining	508,545	56.1	392,657	33.4
Total Cut-and-Fill and Square-Set Mining	868,195	95.7	1,131,928	96.2
Shrinkage Stoping	15,909	1.8	15,841	1.3
Total Mining	884,104	97.5	1,147,769	97.5
Development Ore	22,875	2.5	29,404	2.5
Total Ore Broken	<u>906,979</u>	<u>100.0</u>	<u>1,177,173</u>	<u>100.0</u>
Percentage of Tons Milled		94.8		94.7

A total of 413,451 cubic yards of backfill were placed in the mine. Of this, 404,903 cubic yards or 97.9% was obtained from mill tailings. Backfilling operations are summarized as follows:

Backfill Placed	1963		1962	
	<i>Cu. Yds.</i>	<i>%</i>	<i>Cu. Yds.</i>	<i>%</i>
Cut-and-Fill Stopes	380,611	92.1	490,902	82.4
Open Stopes and Storage	32,840	7.9	104,704	17.6
Total Placed	<u>413,451</u>	<u>100.0</u>	<u>595,606</u>	<u>100.0</u>

Manager's Report continued

Source of Backfill	1963		1962	
	<i>Cu. Yds.</i>	<i>%</i>	<i>Cu. Yds.</i>	<i>%</i>
Hydraulic Sand from Mill Tailings	404,903	97.9	536,162	90.0
Screened Pit Sand	5,636	1.4	26,507	4.5
Total Hydraulic Fill	410,539	99.3	562,669	94.5
Development Waste and Other Dry Fill	2,912	0.7	32,937	5.5
Total Backfill	413,451	100.0	595,606	100.0
Percentage of Mill Tailings Recovered as Backfill		51.9		53.0

Ore Development:

On the 4800-foot level, eight short diamond drill holes were drilled to investigate a carbonate zone on Section 45 East. On the 5600-foot level, six down holes were completed to investigate the block of ground from Section 44 East to Section 82 East and down to the 6400-foot horizon. No values of any significance were found.

Ore Reserves:

At the end of 1963, proven ore reserves including allowances for dilution were as follows:

	<i>Tons</i>	<i>Ounces Per Ton</i>
Surface to 1600-foot level	429,203	.2792
1600-foot to 2500-foot level	1,614,740	.3145
2500-foot to 3700-foot level	1,535,573	.4005
3700-foot to 4550-foot horizon	2,465,361	.5270
Total Reserve at the end of 1963	6,044,877	.4205
Total Reserve at the end of 1962	6,817,143	.4114

The total reserve at the end of 1963 includes 12,747 tons of broken ore reserves having an average grade of 0.3059. Total reserves were decreased by 772,266 tons, although 956,217 tons were milled. There were some minor revisions to ore estimates, but extensions to known orebodies by sub-drifting and slashing accounted for most of the gain of 183,951 tons.

General:

The total work force decreased from 1,181 to 994 and the underground force decreased from 777 to 634 during 1963.

A two-year collective agreement with the Employees' Association was negotiated and signed in March, and became effective April 1, 1963. This provided for an increase in wages effective March 1st of 4.375%. This increase resulted in an additional cost of 13 cents per ton milled in 1963.

During the year 9.9 million board feet of lumber were consumed as compared with 10.5 million board feet in 1962. Square-set timber consumption amounted to 55,122 pieces as compared with 43,498 pieces in 1962.

With the reduction in tonnage milled per day, hoisting at No. 4 Shaft and hoisting and crushing at No. 3 Shaft was placed on a 2-shift basis in July, 1963.

I take this opportunity to express my sincere appreciation for the support of all Departmental Heads and their staffs and for the continued loyal service of all our employees during the year. I also acknowledge with gratitude the support and assistance of the Officers and Directors.

Respectfully submitted,

S. C. YULE,
Manager.

Virginiatown, Ontario.
February 1, 1964.

KERR ADDISON

(Incorporated on November 18,

BALANCE

DECEMBER

ASSETS

CURRENT:

Cash	\$ 142,932	
Short-term notes and loans	1,267,037	
Marketable investments at cost less amounts written off (quoted market value \$12,422,986)	10,753,270	
Bullion at realizable value	797,144	
Accounts and interest receivable (including \$65,000 advanced to Joutel Copper Mines Limited)	615,650	\$13,576,033

INVESTMENTS IN SHARES AND BONDS OF MINING COMPANIES, at cost (note 2) 14,867,324

INVESTMENTS IN SUBSIDIARY COMPANIES (note 3):

Joutel Copper Mines Limited shares at cost	\$ 912,579	
Other at nominal value	1	912,580

DEFERRED:

Supplies and materials at cost	\$ 1,309,197	
Prepaid expenses	184,989	1,494,186

FIXED, at cost:

Mining claims and properties	\$ 1,245,993	
Land	73,020	
Buildings, plant and equipment	\$14,223,544	
Less accumulated depreciation	13,581,302	642,242
		1,961,255

OTHER:

Receivable under agreement of sale (note 4)	\$ 1,200,000	
Mortgages receivable	16,111	
Shares of inactive mining companies at nominal value	1	1,216,112

\$34,027,490

(See accompanying notes

On behalf of the Board:

W. S. ROW, Director.

K. C. GRAY, Director.

MINES LIMITED

(1963 under the laws of Ontario)

BALANCE SHEET

As at December 31, 1963

LIABILITIES

CURRENT:

Accounts payable and accrued charges	\$ 853,607
Income and mining taxes payable	788,913
Dividends payable	450,000
	<u>\$ 2,092,520</u>

CAPITAL AND SURPLUS:

Capital stock (notes 1 and 5)

Authorized:

10,000,000 shares of no par value

Issued:

7,013,902 shares \$12,907,712

Earned surplus 19,027,258 31,934,970

\$34,027,490

(continued on next page)

To the Shareholders of
Kerr Addison Mines Limited:

AUDITORS' REPORT

We have examined the balance sheet of Kerr Addison Mines Limited as at December 31, 1963 and the statements of operations and earned surplus of the predecessor companies for the period from January 1, 1963 to November 17, 1963 and of Kerr Addison Mines Limited from the date of amalgamation on November 18, 1963 to December 31, 1963. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet and the statements of operations and earned surplus present fairly the financial position of Kerr Addison Mines Limited as at December 31, 1963 and the results of the operations of the predecessor companies from January 1, 1963 to November 17, 1963 and of Kerr Addison Mines Limited from November 18, 1963 to December 31, 1963 in accordance with generally accepted accounting principles applied on the same basis as that used by the predecessor companies in their preceding fiscal periods except for the change in the treatment of exploration expenses as set out in note 6 to the statements of operations and earned surplus.

Toronto, Canada,
February 27, 1964.

CLARKSON, GORDON & CO.,
Chartered Accountants.

STATEMENTS OF OPERATIONS — Including Predecessor Companies

FOR THE YEAR ENDED DECEMBER 31, 1963

NOVEMBER 18
to
DECEMBER 31

	JANUARY 1 TO NOVEMBER 17				Kerr Addison Mines Limited	Adjustment for intercompany dividends	Combined
	Anglo- Huronian, Limited	Bouzan Mines Limited	Prospectors Airways Company, Limited	Kerr-Addison Gold Mines Limited			
REVENUE:							
Bullion produced			\$ 387,685	\$10,583,389	\$1,328,080		\$12,299,154
Investment income	\$ 654,974	\$ 110,917	23,960	439,790	315,527	\$ (332,680)	1,212,488
Other			1,028	49,584	2,836		53,448
	\$ 654,974	\$ 110,917	\$ 412,673	\$11,072,763	\$1,646,443	\$ (332,680)	\$13,565,090
EXPENSE:							
Cost of metal production			\$ 250,870	\$ 6,766,698	\$ 854,860		\$ 7,872,428
Less recoverable under the Emergency Gold Mining Assistance Act			8,000	204,000	38,000		250,000
			\$ 242,870	\$ 6,562,698	\$ 816,860		\$ 7,622,428
Administration and general expenses	\$ 61,673	\$ 8,843	32,940	135,193	31,833		270,482
Directors' fees	12,250			12,100	1,875		26,225
Outside exploration written off (note 6)	66,233		166,471	315,106	40,317		588,127
	\$ 140,156	\$ 8,843	\$ 442,281	\$ 7,025,097	\$ 890,885		\$ 8,507,262
Net income before provisions for depreciation and taxes	\$ 514,818	\$ 102,074	\$ (29,608)	\$ 4,047,666	\$ 755,558	\$ (332,680)	\$ 5,057,828
Provision for depreciation	4,272		8,303	214,778	29,360		256,713
Net income before provision for taxes	\$ 510,546	\$ 102,074	\$ (37,911)	\$ 3,832,888	\$ 726,198	\$ (332,680)	\$ 4,801,115
Provision for taxes:							
Mining taxes			\$ 10,000	\$ 305,000	\$ 40,000		\$ 355,000
Income taxes (note 7)	\$ 33,163			1,054,000			1,087,163
	\$ 33,163		\$ 10,000	\$ 1,359,000	\$ 40,000		\$ 1,442,163
Net income for the period	\$ 477,383	\$ 102,074	\$ (47,911)	\$ 2,473,888	\$ 686,198	\$ (332,680)	\$ 3,358,952

(See accompanying notes to financial statements)

Statement of Earned Surplus

For the period from date of amalgamation on November 18, 1963 to December 31, 1963

BALANCE OF EARNED SURPLUS OR (DEFICIT) OF PREDECESSOR COMPANIES at November 18, 1963:

Anglo-Huronian, Limited	\$ 8,895,132
Bouzan Mines Limited	1,483,810
Prospectors Airways Company, Limited	(1,782,656)
Kerr-Addison Gold Mines Limited	14,755,516
	<u>\$23,351,802</u>

DEDUCT:

Cancellation of earned surplus relating to intercompany shareholdings	\$3,164,000	
Exploration expenditures of predecessor companies and subsidiaries written off (note 6)	1,139,794	
Provision for reorganization expenses	20,000	4,323,794
		<u>\$19,028,008</u>

ADD:

Net income for the period		686,198
Profit on sale of investments		10,257
Profit on sale of fixed assets		4,185
		<u>\$19,728,648</u>

Less dividends paid	701,390
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Balance December 31, 1963	<u>\$19,027,258</u>
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Statements of Earned Surplus or Deficit of Predecessor Companies

For the period from January 1, 1963 to November 17, 1963

	Anglo-Huronian, Limited	Bouzan Mines Limited	Prospectors Airways Company, Limited	Kerr- Addison Gold Mines Limited
EARNED SURPLUS OR (DEFICIT)				
January 1, 1963 (note 8)	\$8,793,109	\$1,374,330	\$(1,692,522)	\$13,983,094
ADD:				
Net income for the period	477,383	102,074	(47,911)	2,473,888
Profit on sale of investments	154,640	27,406		168,594
Profit on sale of fixed assets			(2,464)	2,955
	<u>\$9,425,132</u>	<u>\$1,503,810</u>	<u>\$(1,742,897)</u>	<u>\$16,628,531</u>
DEDUCT:				
Dividends paid	\$ 375,000			\$ 1,702,909
Prior years' income taxes (note 9)	120,000			
Provision for reorganization expenses	35,000	\$ 20,000	\$ 30,000	55,000
Sundry investments written off			9,759	115,106
	<u>\$ 530,000</u>	<u>\$ 20,000</u>	<u>\$ 39,759</u>	<u>\$ 1,873,015</u>
EARNED SURPLUS OR (DEFICIT)				
November 17, 1963	<u>\$8,895,132</u>	<u>\$1,483,810</u>	<u>\$(1,782,656)</u>	<u>\$14,755,516</u>

(See accompanying notes to financial statements)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1963

1. Kerr Addison Mines Limited was formed by the statutory amalgamation on November 18, 1963 of Anglo-Huronian, Limited, Bouzan Mines Limited and Kerr-Addison Gold Mines Limited. The issued and outstanding shares of the amalgamating companies (after cancellation of intercompany shareholdings) were converted to 6,828,702 issued and outstanding shares of Kerr Addison Mines Limited. An additional 185,200 shares of the company were issued on November 18, 1963 under an agreement whereby the company acquired the net assets and undertakings of Prospectors Airways Company, Limited.
2. Shares and bonds of mining companies consist of holdings which are not in the nature of temporary investments. Included are shares and bonds carried at a cost of \$14,362,004 which have a quoted market value of \$22,497,297 computed by pricing the individual holdings at the closing market quotations on December 31, 1963. The latter amount does not necessarily represent the value of these holdings which may be more or less than that indicated by market quotations. Also included are investments carried at a cost of \$505,320 consisting of holdings for which no regular market quotations are available.
3. Joutel Copper Mines Limited has shown neither profits nor losses to December 31, 1963. The investments in other subsidiary companies are carried at nominal value.
4. The amount shown as "Receivable under agreement of sale" represents amounts due from The Patiño Mining Corporation on sale of mining property and is due in annual instalments of \$300,000 on December 31 of each year. The instalment due in 1964 has been included in "Accounts and interest receivable" in the balance sheet.
5. At December 31, 1963 options to employees were outstanding with respect to 94,000 shares at a price of \$6.39 per share.
6. In the statements of operations the outside exploration expenses of the predecessor companies have been written off in accordance with the accounting policy of Kerr Addison Mines Limited to write off such expenditures as incurred. Exploration expenditures aggregating \$1,139,794 and deferred by the predecessor companies and the subsidiaries of Prospectors Airways Company, Limited at December 31, 1962 have been charged to the earned surplus account of Kerr Addison Mines Limited.
7. No income taxes appear to be payable on the income of Kerr Addison Mines Limited for the period from November 18, 1963 to December 31, 1963 because of the deduction for income tax purposes of exploration expenditures incurred by predecessor companies.
8. A summary of the changes in the earned surplus account of Anglo-Huronian, Limited from July 31, 1962 (the date of the last annual statement distributed to shareholders) to December 31, 1962 is set out below:

Earned surplus July 31, 1962	\$8,637,246
Add net income for the period August 1, 1962 to December 31, 1962:	
Investment income (including profit on sale of investments \$10,929)	\$ 575,356
Less expenses (including depreciation \$2,000, and provision for taxes \$10,000)	44,493
Net income for the period	\$ 530,863
	<u>\$9,168,109</u>
Less dividends paid	375,000
Earned surplus December 31, 1962	<u>\$8,793,109</u>

9. Anglo-Huronian, Limited has received notices confirming assessments of income taxes for the 1958, 1959 and 1960 years and has provided in its accounts (by a charge to earned surplus) for the amounts payable plus the estimated additional liability for the 1961 and 1962 years. The company intends to appeal these assessments.

PRODUCTION RECORD

FOR THE YEARS 1938 TO 1963

	<i>Tons Milled</i>	<i>Average Tons Per Day</i>	<i>Recovery Per Ton Ozs.</i>	<i>Total Ounces Produced</i>	<i>Total Value</i>
1938	148,642	609	0.1880	27,946.54	\$ 985,641
1939	268,409	735	0.2030	54,480.03	1,984,858
1940	445,864	1,218	0.2064	92,021.07	3,544,433
1941	694,894	1,904	0.2102	146,071.62	5,626,389
1942	756,453	2,072	0.2139	161,811.43	6,232,794
1943	674,487	1,848	0.1930	130,192.28	5,015,128
1944	484,583	1,324	0.1666	80,722.23	3,109,598
1945	430,065	1,178	0.1885	81,065.07	3,122,706
1946	531,695	1,457	0.1984	105,483.35	3,853,253
1947	780,153	2,137	0.1923	150,039.56	5,257,179
1948	889,711	2,431	0.1873	166,617.10	5,838,584
1949	1,560,195	4,275	0.1837	286,573.92	10,379,402
1950	1,582,974	4,337	0.2027	320,808.50	12,211,154
1951	1,612,707	4,418	0.2052	330,936.99	12,432,366
1952	1,649,836	4,508	0.2110	348,113.58	12,566,611
1953	1,643,298	4,502	0.2081	341,912.99	11,969,639
1954	1,659,298	4,546	0.2142	355,473.24	12,146,148
1955	1,660,533	4,549	0.2573	427,193.24	14,797,154
1956	1,665,045	4,549	0.2842	473,235.67	16,277,717
1957	1,652,132	4,526	0.3143	519,336.89	17,474,450
1958	1,661,980	4,553	0.3263	542,268.88	18,423,484
1959	1,662,534	4,555	0.3412	567,304.80	19,125,030
1960	1,667,638	4,556	0.3552	592,244.59	20,420,106
1961	1,490,319	4,083	0.3495	520,867.17	18,615,842
1962	1,242,933	3,405	0.3364	418,150.29	15,742,590
1963	956,217	2,620	0.3399	324,986.31	12,299,154
	29,472,595	—	0.2567	7,565,857.34	\$269,451,410

Breakdown of Supplies and Services

PURCHASES BY THE KERR ADDISON MINE FOR THE YEAR 1963

Iron and Steel Products	\$ 331,816
Tools and Machinery (Mine, Mill, Shops)	255,445
Reagents and Chemicals	267,516
Coal and Coke	1,108
Petroleum Products	26,370
Rubber Products	20,874
Lumber and Timber	895,359
Building Products (Miscellaneous)	95,625
Electrical Equipment	27,315
Air-Operated Equipment and Parts	32,665
Explosives	129,371
Refractories	10,198
Foodstuffs	6,436
Insurance	142,094
Miscellaneous	193,605
Sub-Total	\$2,435,797
Hydro Electric Power	397,516
Freight and Express	81,721
TOTAL	\$2,915,034
Total paid in Wages and Salaries	\$4,948,789
Taxes paid to Provincial and Dominion Governments	1,409,000
Municipal and Sundry Taxes	54,418

Principal Canadian Cities and Towns Which Benefit:

Acton, Ontario	Englehart, Ontario	New Liskeard, Ontario	St. John, N.B.
Amos, Quebec	Evain, Quebec	Newmarket, Ontario	St. Mary's, Ontario
Arnprior, Ontario	Fort Erie, Ontario	Niagara Falls, Ontario	Sarnia, Ontario
Beachville, Ontario	Fredericton, N.B.	Nobel, Ontario	Sault Ste. Marie, Ontario
Belleville, Ontario	Galt, Ontario	Noranda, Quebec	Sherbrooke, Quebec
Bourlamaque, Quebec	Gananoque, Ontario	North Bay, Ontario	Sorel, Quebec
Bowmanville, Ontario	Guelph, Ontario	Oakville, Ontario	Staynerville, Quebec
Brampton, Ontario	Hamilton, Ontario	Orangeville, Ontario	Sudbury, Ontario
Brantford, Ontario	Haileybury, Ontario	Orillia, Ontario	Thornbury, Ontario
Burlington, Ontario	Hespeler, Ontario	Oshawa, Ontario	Tillsonburg, Ontario
Clarkson, Ontario	Huttonsville, Ontario	Ottawa, Ontario	Timmins, Ontario
Cobalt, Ontario	Joliette, Quebec	Owen Sound, Ontario	Toronto, Ontario
Cobourg, Ontario	Kirkland Lake, Ontario	Point Anne, Ontario	Val d'Or, Quebec
Cooksville, Ontario	Kitchener, Ontario	Point Edward, Ontario	Welland, Ontario
Cowansville, Quebec	London, Ontario	Port Arthur, Ontario	Windsor, Ontario
Downsview, Ontario	Merritton, Ontario	Rouyn, Quebec	
Dundas, Ontario	Montreal, Quebec	St. Catharines, Ontario	

NUMBER OF COMPANIES AND INDIVIDUALS (With Geographical Location) THROUGH WHICH SUPPLIES OR SERVICES PURCHASED:

303 — Ontario; 52 — Quebec; 3 — New Brunswick; 1 — Manitoba; 1 — Alberta; 10 — U.S.A.

